

VZCZCXRO5497
PP RUEHBC RUEHDE RUEHKUK RUEHROV
DE RUEHKH #1416/01 2620631
ZNY CCCCC ZZH
P 180631Z SEP 08
FM AMEMBASSY KHARTOUM
TO RUEHC/SECSTATE WASHDC PRIORITY 1920
INFO RUEHEE/ARAB LEAGUE COLLECTIVE
RUCNFUR/DARFUR COLLECTIVE
RUCNIAD/IGAD COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 03 KHARTOUM 001416

SIPDIS

DEPT FOR AF A/S FRAZER, S/E WILLIAMSON, AF/SPG
NSC FOR PITTMAN AND HUDSON
ADDIS ABABA FOR USAU
DEPT PLS PASS USAID FOR AFR/SUDAN

E.O. 12958: DECL: 08/12/2018
TAGS: [ECON](#) [EAGR](#) [EINV](#) [EAID](#) [PGOV](#) [PREL](#) [SU](#)
SUBJECT: LEADING BUSINESSMAN ON SUDAN'S AGRICULTURE SECTOR,
FOREIGN-INVESTOR ACTIVITY, AND GOVERNMENT MISMANAGEMENT

REF: KHARTOUM 98

Classified By: CDA Alberto M. Fernandez, for reasons 1.4 (b) and (d)

¶1. (C) Summary: In a wide-ranging conversation, Sudanese business magnate Osama Daoud outlined a project to gradually develop as much as 1.26 million acres in northern Sudan for agricultural production. Daoud sees Sudan's agricultural potential as immense, but says that it currently has far to go to even meet its own needs, let alone become a major exporter. Daoud blamed much of this on mismanagement and corruption in the ruling NCP regime. However, he also noted growing Korean, Saudi, Gulf-Arab and Chinese interest in developing Sudan as a supplier for their food needs. He said that the GOS recently hit up Sudan's business elite for donations to assist Darfur's war victims, much as it had when the conflict began in 2004 (reftel). End Summary.

¶2. (U) Recently, Econoffs called on leading Sudanese businessman Osama Daoud Abdel Latif to discuss reports of a major agricultural-development scheme by Daoud's DAL Group in Northern Sudan. Daoud heads a commercial conglomerate that includes food processing (DAL Foods Industries), construction (DAL Engineering), real estate (Al-Sunut Development Corp.), and the Sudanese Tractor Company (SUTRAC). He also holds the Sudan franchise for Coca-Cola distribution in Sudan. In addition, SUTRAC is the sole agent for the Caterpillar Co. in Sudan. Al-Sunut Development was among the 30 Sudanese entities targeted for sanctions as Specially Designated Nationals (SDNs) on May 29, 2007.

INVESTMENT IN AGRICULTURE

¶3. (SBU) According to Daoud, DAL group holds title to 1.26 million acres of land in his native Nubia (north of Khartoum, including River Nile State), where it plans gradually to begin development for wheat production. Daoud said that DAL Foods imports 1.2 million tons of wheat annually to mill into flour. Originally, wheat was imported from Australia, but now about half comes from Canada. He described the soil in the region as fertile, and said there is ample aquifer (not Nile River) water for irrigation. Daoud noted that in addition to providing wheat for DAL flour mills, he also planned the project to resettle in their native region fellow Nubians who were displaced by the filling of Lake Nasser in the 1960s.

¶4. (SBU) With support from the Arab Authority for Agricultural Investment and Development (AAAID), DAL is developing a 25,000 acre pilot project, with a target date of November 2009 to begin cultivation. Drilling for water has commenced, he said, noting that the main issue is how deep the water is underground. In a few months there will be as

many as 30 rigs on the site. DAL has also made a preliminary agreement with a Saudi co-investor for an additional 100,000 acres.

SUDAN,S AGRICULTURE: A LONG WAY FROM LIVING UP TO ITS POTENTIAL

15. (SBU) Daoud believes that Sudan,s agricultural potential is immense, but said that it will be a long time before it even is able to meet its domestic demand, let alone become a significant exporter. He vehemently disputed an August 10 New York Times article, alleging that Sudan is growing and selling vast quantities of food for export while receiving a billion tons of free food for international donors. The notion that Sudan is exporting vast quantities of food is "ridiculous," he said. The only successful agricultural development project currently in operation is a Saudi-funded project in Berber in North Sudan, according to Daoud. "The rest is all talk."

BUT FOREIGN INVESTORS ARE SHOWING INTEREST

16. (SBU) Though still in early stages, there is serious interest from the Middle East and Asia in developing Sudan,s agriculture sector. For example, Daoud said, Saudi Arabia has decided to phase out domestic wheat production by 2014, in an effort to conserve water resources. As a result, Saudi Arabia is investigating opportunities to invest in agriculture projects overseas to meet its import needs. Private Saudi companies are interested in Sudan, but they are reluctant to do so without support from the Saudi government,

KHARTOUM 00001416 002 OF 003

which remains cautious. Daoud attributed the Saudi government's caution to Sudan,s problematic relations with the United States.

17. (SBU) Daoud said that right now the most serious prospective foreign investors are South Korean, who have been given land that they have started to develop. Daoud also stated that there are numerous Chinese companies interested in investing in or supplying Sudan,s agricultural sector, noting that he will be traveling to China soon. He commented that China has established a US\$5 billion fund to finance foreign-investment projects. The United Arab Emirates also are eager to establish a food link with Sudan, he said.

GOVERNMENT MISMANAGEMENT AND DYSFUNCTION

18. (SBU) Daoud expressed frustration that successive governments (not just the current NCP-dominated one) have mismanaged the agriculture sector, and decried the Ministry of Agriculture's bungling attempts to promote production. He noted that when the Agriculture Ministry decided that wheat should be grown, it sought to do so through a parastatal corporation called "Sin" (in Arabic initials,) rather than turning to experienced private sector actors. The resulting wheat was completely unsuitable for bread, he said. Under GOS pressure, DAL eventually agreed to take over the operation, but "to date, it has not delivered a single sack." Daoud added that the project was "a complete waste." He stated that although DAL would soon be producing wheat on its own, it could do a lot more with government support.

10. (SBU) Daoud also blamed poor policy planning for the squandering of Sudan's tremendous natural resource wealth. "Sudan will find out very soon that it does not have the (Nile River) water supply it thinks it does." He asserted that Sudan could save 70% of the irrigation water it currently uses by changing from the wasteful flood-irrigation technique. He argued that the GOS needs to establish a think-tank or policy planning apparatus for agriculture, lamenting that successive governments have simply "dusted off the old files of their predecessors" and repeated past mistakes.

AN EXHAUSTED NCP

11. (SBU) According to Daoud, the Ministry of Agriculture's problems mirror those facing the rest of the government. "Even ministers can't solve problems anymore," he said. "If you really want to get anything done, you need to take it to the President," adding that the President probably had better things to do than negotiate with DAL Group over seed shipments. Each ministry has become a little empire, he observed, with ministers unwilling or unable to delegate responsibility to their staffs. As a result, "the civil service is being destroyed." Daoud stated that he had suggested to Vice President Taha that a Prime Minister function as CEO and manage the government's day-to-day operations.

12. (SBU) Daoud agreed with econoff suggestion that perhaps the NCP has simply been in power too long and is exhausted. In his view, constant ministerial shuffles point to a lack of new talent. This is a shame, he said, because there are many talented Sudanese overseas with managerial experience. He noted that DAL Group has made a point of recruiting Sudanese expatriates for managerial positions. With their international experience, "they are the backbone of DAL," he said. Daoud added that there are many qualified Sudanese expatriates who would jump at the chance to serve their country in government, but that they are deterred by the NCP's Islamic-fundamentalist ideology.

DARFUR DEJA VU

13. (C) Daoud remarked that the government recently had asked the Sudanese business elite for donations to assist Darfur reconstruction. He recalled that the GoS had made a similar appeal at the start of the Darfur campaign in 2004 (which Daoud told CDA about previously - reftel). At that time, they were told the money would be needed to assist civilian casualties in the government's planned offensive to crush the rebellion. "It will all be over in two weeks," officials had told them then. "I hope it works out better this time," he quipped, although he added that he was not hopeful this would be the case.

KHARTOUM 00001416 003 OF 003

COMMENT

14. (SBU) Daoud's tour d'horizon provides a glimpse into the views of Sudan's traditional, Westernized business elite. There is no love lost between them and the NCP, which has systematically marginalized such businessmen politically, as well as economically by channeling business to favored firms and government front companies (such as Sin). His anecdotal comments on government incompetence and the NCP's exhaustion correspond with our own observations, but we warn against drawing political conclusions about the regime's degree of competence based on comments from the business community, which routinely complains about government mismanagement and would likely do so under any regime. While Daoud is rightly scathing about the regime's economic and management prowess, he has a healthy respect for its coercive abilities and skill at political survival.

FERNANDEZ